

**Decatur Township**  
**Van Buren County, Michigan**  
**Annual Financial Statements**  
**and**  
**Auditors' Report**  
**June 30, 2008**

## Table of Contents

<u>Section</u>	<u>Page</u>
1 <b>List of Elected and Appointed Officials</b>	1 – 1
2 <b>Independent Auditors' Report</b>	2 - 1
3 <b>Management's Discussion and Analysis</b>	3 – 1
4 <b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Assets	4 – 1
Statement of Activities	4 – 2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4 – 3
Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities	4 – 4
Statement of Revenues, Expenditures and Changes in Fund Balances	4 – 5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 – 6
Notes to Financial Statements	4 – 7
5 <b>Required Supplemental Information</b>	
Budgetary Comparison Schedule	
General Fund	5 – 1
Road Improvement Fund	5 – 3
6 <b>Other Supplemental Information</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet	6 – 1
Combining Statement of Revenue, Expenditures and Changes in Fund Balance	6 – 2

**Decatur Township**  
**List of Elected and Appointed Officials**  
**June 30, 2008**

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**Township Board**

Joseph Miller – Supervisor

James Abshagen – Treasurer

Janet Abshagen – Clerk

Don MacKellar – Trustee

C. Joseph Miles – Trustee

## **Independent Auditors' Report**

Members of the Township Board  
Decatur Township  
Decatur, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Decatur Township as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Decatur Township as of June 30, 2008 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As discussed in Note 9 to the financial statements, certain errors resulting in overstatement of previously reported net assets as of June 30, 2007 were discovered during the current year. Accordingly, an adjustment has been made to net assets as of June 30, 2008 to correct the error.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Decatur Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Yeo & Yeo, P.C.*

December 5, 2008  
Kalamazoo, Michigan

**Decatur Township**  
**Management's Discussion and Analysis**  
**June 30, 2008**

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The management of the Decatur Township provides this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2008 for the benefit of the readers of these financial statements. This management's discussion and analysis ("MD&A") is intended to assist the reader in focusing on significant financial issues and provide an overview of the Township's financial activity. The Township encourages the readers to consider the following information here in conjunction with the financial statements taken as a whole, which follow this section

**HIGHLIGHTS**

**Government-wide:**

The assets of Decatur Township were \$797,416, an increase of approximately \$135,301 from the previous year.

**Fund Level:**

As of the close of the fiscal year, the Township's governmental funds reported a fund balance of \$684,346.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is an introduction to the Township's basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

**Decatur Township**  
**Management's Discussion and Analysis**  
**June 30, 2008**

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**FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE**

The Township's net assets increased \$135,261 over the course of this fiscal year's operations to a total of \$797,416.

**Net Assets as of June 30, 2008 and 2007**

	Governmental Activities	
	2008	2007-as restated
<b>Assets</b>		
Cash and cash equivalents	\$ 582,229	\$ 490,372
Investments	75,000	75,000
Due from other units of government	47,230	-
Prepaid items	4,656	5,620
Capital assets, net	88,301	91,163
Total Assets	<u>797,416</u>	<u>662,155</u>
<b>Net Assets</b>		
Restricted for prepaid items	4,656	5,620
Invested in capital assets, net of related debt	88,301	91,163
Unrestricted	704,459	565,372
Total Net Assets	\$ <u>797,416</u>	\$ <u>662,155</u>

Unrestricted net assets are the largest component of net assets. These represent resources that may be used at the Township's discretion, but often have limitations based upon policy action. The remaining net assets reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets.

**Decatur Township**  
**Management's Discussion and Analysis**  
**June 30, 2008**

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The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Township's net assets changed during the fiscal year.

**Change in Net Assets For the Fiscal Years Ended June 30, 2008 and 2007**

	Governmental Activities	
	2008	2007-as restated
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 9,404	\$ 13,492
General revenues		
Taxes	270,940	260,358
State shared revenue	168,244	142,901
Unrestricted investment earnings	5,282	4,735
Miscellaneous	10,549	8,414
Total Revenues	<u>455,015</u>	<u>416,408</u>
<b>Expenses</b>		
General government	163,517	138,128
Legislative	-	28,703
Public safety	7,751	12,922
Public works	175,390	68,251
Community and economic development	4,918	-
Total Expenses	<u>351,576</u>	<u>248,004</u>
Change in net assets	112,843	181,896
Beginning net assets	662,155	480,259
Prior period adjustment	22,418	--
Ending net assets	<u>\$ 797,416</u>	<u>\$ 662,155</u>



**Decatur Township**  
**Management's Discussion and Analysis**  
**June 30, 2008**

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Property taxes comprise 55.7% of Governmental Activities revenue. The Township's operating millage during the fiscal year was 0.9004 mills. In accordance with Charter and State Constitutional provisions, the Township may levy up to 1.0000 mills for operation in fiscal year 2007-2008.

The Township has no income tax.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. Fiscal year 2007-2008 receipts from the State of Michigan trended downward, attributed to discretionary reductions in revenue sharing payments by the State of Michigan.

**FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

As the Township completed the fiscal year, its governmental funds reported fund balances of \$684,346. Of this total amount, \$416,887 constitutes unreserved and undesignated fund balance, \$4,656 is reserved for prepaid items, and \$262,803 is designated for the Township's special revenue funds, Road Improvement Fund and Lake Weed Control Fund.

**General Fund**

The General Fund is the chief operating fund of the Township. At the end of fiscal year 2007-2008, the General Fund fund balance was \$421,543, with \$4,656 reserved for prepaid items and \$416,887 unreserved. The fund balance increased by \$84,479 from the previous fiscal year, which includes the prior period adjustment of \$22,418.

**General Fund Budgetary Highlights**

Administrative actions were taken to keep operating costs within budget.

Property tax revenue (including penalties and interest) increased \$10,582 fiscal year 2007-2008. This is attributed to increases in taxable values, new construction, and new millage amounts. The State increased revenue sharing payments minimally by \$3,193 in fiscal year 2007-2008. This resulted from State actions in response to the statewide economic slowdown.

During the fiscal year, the Township amended the budget to transfer funds among activities in the General Fund. Amendments to the budget are made due to unexpected expenditures in general fund categories. Uncommitted funds are budgeted in certain categories (showing an area of excess budgeted monies) to allow flexibility to cover the unexpected expenditures. The Township Board does not deplete monies budgeted in any categories simply because it is budgeted. These amounts are excess monies for the unexpected expenditures. Overall, expenditures for the

**Decatur Township  
Management's Discussion and Analysis  
June 30, 2008**

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Township were \$103,996 under budget.

**CAPITAL ASSETS**

Capital Assets: At the end of the fiscal year 2007-2008, the Township had invested \$88,301, net of accumulated depreciation, in a broad range of capital assets (see the table below). Total depreciation charges for this fiscal year were \$10,522.

**Capital Assets as of June 30, 2008 and 2007  
(net of depreciation)**

	Governmental Activities	
	2008	2007
Land	\$ 31,529	\$ 31,529
Buildings, additions and improvements	44,671	41,606
Machinery and equipment	9,414	12,655
Vehicles	2,687	5,373
Total	<u>\$ 88,301</u>	<u>\$ 91,163</u>

This year's major addition was replacement lights and signs for a total of \$7,660.

**ECONOMIC CONDITION AND OUTLOOK**

State multi-year tax reduction legislation curtailed the State of Michigan's revenue collections. In May 2001 it became apparent that State revenues were declining and State Revenue Sharing payments to local government were cut to meet reduced revenue projections. Such reductions, and reductions in interest earnings on surplus funds, due to declines in interest rates, negatively impacted recent fiscal years, necessitating managerial constraints on operating expenditures.

Continuing expected reductions in State Revenue Sharing and the low interest rate environment, yet continuing inflationary pressure of municipal materials, supplies and equipment, dictated prudent expenditures for fiscal year 2007-2008, and a continuance of administrative cost containment measures.

The Township Board's policy is that it must have surplus funds amounting to one year's uninterrupted operations in case State Revenue Sharing payments are withheld or drastically reduced. Surpluses are budgeted in annually for this purpose. The Board has a policy of not borrowing funds unless there is an extreme urgency.

**Decatur Township**  
**Management's Discussion and Analysis**  
**June 30, 2008**

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**CONTACTING THE TOWNSHIP'S FINANCIAL ADMINISTRATION**

This financial report is designed to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Township's Clerk at (269) 423-8438.

**Decatur Township**  
**Statement of Net Assets**  
**June 30, 2008**

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	<u>Primary Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 582,229
Investments	75,000
Due from other units of government	47,230
Prepaid items	4,656
Capital assets not being depreciated	31,529
Capital assets, net	<u>56,772</u>
 Total assets	 <u>797,416</u>
 <b>Net Assets</b>	
Invested in capital assets, net of related debt	88,301
Restricted for:	
Prepaid items	4,656
Unrestricted	<u>704,459</u>
 Total net assets	 <u>\$ 797,416</u>

See Accompanying Notes to Financial Statements

**Decatur Township**  
**Statement of Activities**  
**For the Year Ended June 30, 2008**

Functions/Programs	Expenses	Program Revenues	Net (Expense)
			Revenue and Changes in Net Assets
		Charges for Services	Primary Government
			Governmental Activities
<b>Primary government</b>			
Governmental activities			
General government	\$ 163,517	\$ 9,404	\$ (154,113)
Public safety	7,751	-	(7,751)
Public works	175,390	-	(175,390)
Community and economic development	4,918	-	(4,918)
Total governmental activities	<u>\$ 351,576</u>	<u>\$ 9,404</u>	<u>(342,172)</u>
General revenues			
Property taxes			270,940
State shared revenue			168,244
Unrestricted investment earnings			5,282
Miscellaneous			<u>10,549</u>
Total general revenues			<u>455,015</u>
Change in net assets			<u>112,843</u>
Net assets - beginning of year as restated			662,155
Prior period adjustment			<u>22,418</u>
Net assets - beginning of year (restated)			<u>684,573</u>
Net assets - end of year			<u>\$ 797,416</u>

See Accompanying Notes to Financial Statements

**Decatur Township**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2008**

		Special Revenue Funds		
	General	Road Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 319,426	\$ 249,908	\$ 12,895	\$ 582,229
Investments	75,000	-	-	75,000
Due from other units of government	47,230	-	-	47,230
Prepaid items	4,656	-	-	4,656
Total assets	<u>\$ 446,312</u>	<u>\$ 249,908</u>	<u>\$ 12,895</u>	<u>\$ 709,115</u>
<b>Liabilities</b>				
Deferred revenue	<u>\$ 24,769</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,769</u>
<b>Fund Balances</b>				
Reserved for:				
Prepaid items	4,656	-	-	4,656
Unreserved, reported in:				
General fund	416,887	-	-	416,887
Special revenue funds	<u>-</u>	<u>249,908</u>	<u>12,895</u>	<u>262,803</u>
Total fund balances	<u>421,543</u>	<u>249,908</u>	<u>12,895</u>	<u>684,346</u>
Total liabilities and fund balances	<u>\$ 446,312</u>	<u>\$ 249,908</u>	<u>\$ 12,895</u>	<u>\$ 709,115</u>

See Accompanying Notes to Financial Statements

**Decatur Township**  
**Governmental Funds**  
**Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities**  
**June 30, 2008**

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<b>Total fund balances for governmental funds</b>	\$ 684,346
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	88,301
Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>24,769</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 797,416</u></u>

**Decatur Township**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2008**

		Special Revenue Funds		
	General	Road Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 106,631	\$ 154,909	\$ 9,400	\$ 270,940
Licenses and permits	1,000	-	-	1,000
State revenue sharing	143,475	-	-	143,475
Charges for services	9,404	-	-	9,404
Interest income	4,370	864	48	5,282
Other revenue	9,549	-	-	9,549
Total revenues	<u>274,429</u>	<u>155,773</u>	<u>9,448</u>	<u>439,650</u>
<b>Expenditures</b>				
Current				
General government	\$ 159,749	\$ -	\$ -	\$ 159,749
Public safety	7,751	-	-	7,751
Public works	39,044	133,133	3,213	175,390
Community and economic development	4,918	-	-	4,918
Capital outlay	906	-	-	906
Total expenditures	<u>212,368</u>	<u>133,133</u>	<u>3,213</u>	<u>348,714</u>
Excess (deficiency) of revenues over expenditures	<u>62,061</u>	<u>22,640</u>	<u>6,235</u>	<u>90,936</u>
Fund balance - beginning of year	337,064	227,268	6,660	570,992
Prior period adjustment	<u>22,418</u>	<u>-</u>	<u>-</u>	<u>22,418</u>
Fund balance - beginning of year restated	<u>359,482</u>	<u>227,268</u>	<u>6,660</u>	<u>593,410</u>
<b>Fund balance - end of year</b>	<u>\$ 421,543</u>	<u>\$ 249,908</u>	<u>\$ 12,895</u>	<u>\$ 684,346</u>

See Accompanying Notes to Financial Statements



**Decatur Township**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2008**

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<b>Net change in fund balances - Total governmental funds</b>	<b>\$ 90,936</b>
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Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(10,522)
Capital outlay	7,660

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

State shared revenue	<u>24,769</u>
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<b>Change in net assets of governmental activities</b>	<b><u>\$ 112,843</u></b>
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**Decatur Township**  
**Notes to Financial Statements**  
**June 30, 2008**

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**Note 1 - Summary of Significant Accounting Policies**

**Reporting entity**

Decatur Township was organized in 1837 and covers an area of approximately 36 square miles. The Township is governed by an elected five-member Board and provides services to more than 3,600 residents in areas including public safety, public works, and community enrichment and development. The accompanying financial statements present the government. This report does not include the financial statements of the Decatur-Hamilton Joint Fire Boards which operates autonomously under an intergovernmental services agreement.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The Township only has governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly

included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of

**Decatur Township**  
**Notes to Financial Statements**  
**June 30, 2008**

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the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road Improvement Fund is used to account for the Township's road improvement activities funded by special tax monies.

Additionally, the government reports the following:

The Lake Weed Control Fund is used to account for the Lake of the Woods maintenance funded by special tax monies.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Assets, liabilities, and net assets or equity**

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

The 2007 taxable valuation of the government totaled \$77,618,740 on which ad valorem taxes consisted of 0.9004 mills for operating purposes. This resulted in \$69,888 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments. Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Decatur Township**  
**Notes to Financial Statements**  
**June 30, 2008**

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Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building improvements	15 to 30 years
Vehicles	5 to 10 years
Office equipment	5 to 7 years

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

### **Comparative data**

Comparative data is not included in the government's financial statements.

### **Upcoming Accounting and Reporting Changes**

The Government Accounting Standards Board has issued Statement No. 45, *Accounting and Reporting by Employers for Postemployment*

*Benefits other than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care. The new rules will cause government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

The Government Accounting Standards Board has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses how to account for pollution remediation activities of the effects of existing pollution; it does not include prevention or control activities or remediation required upon the retirement of an asset. In general, the new rules will cause government-wide financial statements to recognize a liability on the current value of expected costs as estimated using the expected cash flows method. This statement is effective for the year ending June 30, 2009. However, measurement is required as of the beginning of the period.

The Government Accounting Standards Board has issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. In general, the new rules will cause government-wide financial statements to include intangible assets as capital assets. This statement is effective for the year ending June 30, 2010.

**Decatur Township**  
**Notes to Financial Statements**  
**June 30, 2008**

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**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary information**

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal yearend.

During June, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing the following July 1. Public hearings are conducted to obtain taxpayer comments and the budget is legally enacted through passage of a resolution prior to July 1.

The budget document presents information by fund and line items. The legal level of budgetary control adopted by the governing body is the line item level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

**Note 3 - Deposits and Investments**

At yearend the government's deposits and investments were reported in the basic financial statements in the following categories:

	Cash and Cash Equivalents	Investments
Governmental activities	\$ 582,229	\$ 75,000

The breakdown between deposits and investments is as follows:

	Primary Government
Bank deposits (checking and savings accounts, money markets, and certificates of deposit)	\$ 657,229

*Interest rate risk* – The government does have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

*Credit risk* – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days

**Decatur Township**  
**Notes to Financial Statements**  
**June 30, 2008**

after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the government authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

*Concentration of credit risk* – The government has no policy that would limit the amount that may be issued in any one issuer.

*Custodial credit risk* – deposits – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of yearend, \$500,559 as exposed to custodial credit risk because it was uninsured and uncollateralized.

**Note 4 - Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
<b>Primary government</b>	
State shared revenue	<u>\$ 24,769</u>

**Note 5 - Capital Assets**

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 31,529	\$ -	\$ -	\$ 31,529
Total capital assets not being depreciated	<u>31,529</u>	<u>-</u>	<u>-</u>	<u>31,529</u>
Capital assets being depreciated				
Buildings, additions and improvements	169,564	7,660	-	177,224
Machinery and equipment	35,767	-	-	35,767
Vehicles	16,432	-	-	16,432
Total capital assets being depreciated	<u>221,763</u>	<u>7,660</u>	<u>-</u>	<u>229,423</u>
Less accumulated depreciation for				
Buildings, additions and improvements	127,958	4,595	-	132,553
Machinery and equipment	23,112	3,241	-	26,353
Vehicles	<u>11,059</u>	<u>2,686</u>	<u>-</u>	<u>13,745</u>
Total accumulated depreciation	162,129	10,522	-	172,651
Net capital assets being depreciated	<u>59,634</u>	<u>(2,862)</u>	<u>-</u>	<u>56,772</u>
Governmental activities capital assets, net	<u>\$ 91,163</u>	<u>\$ (2,862)</u>	<u>\$ -</u>	<u>\$ 88,301</u>

Depreciation expense for the year ended June 30, 2008 of \$10,522 was charged to the general government programs.

**Decatur Township**  
**Notes to Financial Statements**  
**June 30, 2008**

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**Note 6 - Risk Management**

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 7 - Van Buren County Road Commission**

The Van Buren County Road Commission does substantially all road improvements for Decatur Township. The funding of such projects is provided by Township and County residents. All disbursements to the Road Commission by the Township are included in the governmental funds financial statements as an expenditure at the time of disbursement. Accordingly, a portion of the disbursement may represent an advance of road improvement funds before such project has begun or been completed by the Road Commission.

**Note 8 - Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

**Note 9 - Restatement of Net Assets**

The prior year financial statements incorrectly reported net assets invested in capital assets gross rather than net of accumulated depreciation. This resulted in an overstatement of net assets of \$151,323. An adjustment has been made to report beginning net assets net of accumulated depreciation.

**Note 10 - Prior Period Adjustment**

A prior period adjustment for \$22,418 was recorded in the General Fund and for governmental activities to adjust the beginning fund balance for a state revenue sharing payment which should have been recorded as a receivable and revenue in the prior year.

**Decatur Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
<b>Revenues</b>				
Taxes				
Property taxes	\$ 64,600	\$ 64,600	\$ 70,283	\$ 5,683
Administration fee	30,000	30,000	36,348	6,348
Licenses and permits	1,500	1,500	1,000	(500)
State revenue sharing	145,000	145,000	143,475	(1,525)
Charges for services	10,500	10,500	9,404	(1,096)
Interest income	2,000	2,000	4,370	2,370
Other revenue	7,000	7,000	9,549	2,549
	<u>260,600</u>	<u>260,600</u>	<u>274,429</u>	<u>13,829</u>
Total revenues				
<b>Expenditures</b>				
General government				
Township board	39,800	39,800	25,262	(14,538)
Supervisor	46,884	46,884	40,239	(6,645)
Clerk	19,410	19,410	18,128	(1,282)
Board of review	1,050	1,050	1,050	-
Treasurer	23,070	23,070	20,074	(2,996)
Elections	9,000	9,000	2,261	(6,739)
Buildings and grounds	15,200	16,200	13,613	(2,587)
Cemetery	33,300	40,700	39,122	(1,578)
	<u>187,714</u>	<u>196,114</u>	<u>159,749</u>	<u>(36,365)</u>
Total general government				



**Decatur Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Public safety				
Police	\$ 15,000	\$ 15,000	\$ 7,751	\$ (7,249)
Public works				
Department of public works	88,000	83,000	39,044	(43,956)
Community and economic development				
Zoning	13,150	13,150	4,918	(8,232)
Capital outlay	12,500	9,100	906	(8,194)
Total expenditures	316,364	316,364	212,368	(103,996)
Excess (deficiency) of revenues over expenditures	(55,764)	(55,764)	62,061	117,825
Fund balance - beginning of year	337,064	337,064	337,064	-
Prior period adjustment	-	-	22,418	22,418
Fund balance - beginning of year (restated)	337,064	337,064	359,482	22,418
<b>Fund balance - end of year</b>	<b>\$ 281,300</b>	<b>\$ 281,300</b>	<b>\$ 421,543</b>	<b>\$ 140,243</b>

**Decatur Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Road Improvement Fund**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 155,000	\$ 155,000	\$ 154,909	\$ (91)
Interest income	-	-	864	864
Total revenues	155,000	155,000	155,773	773
<b>Expenditures</b>				
Current				
Public works	383,040	383,040	133,133	(249,907)
Excess (deficiency) of revenues over expenditures	(228,040)	(228,040)	22,640	250,680
Fund balance - beginning of year	227,268	227,268	227,268	-
<b>Fund balance - end of year</b>	<u>\$ (772)</u>	<u>\$ (772)</u>	<u>\$ 249,908</u>	<u>\$ 250,680</u>

**Decatur Township**  
**Other Supplemental Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2008**

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	<u>Special Revenue</u>
	Lake
	Weed
	<u>Control</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 12,895
<b>Fund Balances</b>	
Undesignated	\$ 12,895

**Decatur Township**  
**Other Supplemental Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2008**

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	<u>Special Revenue</u>
	Lake
	Weed
	<u>Control</u>
<b>Revenues</b>	
Taxes	\$ 9,400
Interest income	<u>48</u>
Total revenues	<u>9,448</u>
<b>Expenditures</b>	
Public works	<u>3,213</u>
Excess of revenues over expenditures	<u>6,235</u>
Fund balance - beginning of year	<u>6,660</u>
Fund balance - end of year	<u>\$ 12,895</u>



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Fax (269) 329-0626

December 5, 2008

Management and the Board  
Decatur Township  
P.O. Box 33  
Decatur, MI 49045

Dear Board:

We have completed our audit of the financial statements of Decatur Township as of and for the year ended June 30, 2008 and have issued our report dated December 5, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditors' Communication of Significant Matters with Those Charged with Governance

II Management Comments

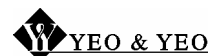
We discussed these matters with various personnel of the Township during the audit. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board, others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

Sincerely,

*Yeo & Yeo, P.C.*

Kalamazoo, Michigan



## **Appendix I**

### **Communication to Those Charged with Governance**

#### **Responsibilities under generally accepted auditing standards**

As stated in our engagement letter dated July 25, 2008, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

#### **Planned Scope and Timing of the Audit**

We performed the audit as outlined in our engagement letter to you related to planning matters dated July 25, 2008

#### **Significant Audit Findings**

Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in Note 1 of the financial statements. We noted no transactions entered into by the Township during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.

Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected.

Disclosures in the financial statements are neutral, consistent and clear. Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

#### **Difficulties Encountered During the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit

#### **Corrected and Uncorrected Misstatements**

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

### **Disagreements with Management**

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditors' report. We had no disagreements with management during the audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

### **Management's Consultations with Other Accountants**

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

### **Significant Issues Discussed or Subject to Correspondence with Management**

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.

## **Appendix II Management Comments**

In planning and performing our audit of the financial statements of Decatur Township as of and for the year ended June 30, 2008, we considered Decatur Township's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report dated December 5, 2008, on the financial statements of Decatur Township. Our comments and recommendations regarding those matters are:

### **Financial Statement Preparation Controls**

In conjunction with our audit, we have been contracted to prepare the financial statements and related disclosures based on the information provided to us by Management. We would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation of the Township's financial statements. However, if at any point in the audit we as auditors are part of the Township's control system for producing reliable financial statements, auditing standards indicate that the Township has a control deficiency. If Management is not able to prepare financial statements, including disclosures, and the auditors are contracted to prepare these statements, this is considered a control deficiency.

*Suggestion:* We recommend that Management and those charged with governance evaluate and document their decision on the costs and benefits of whether to contract for this service with our firm.